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ABSTRACT

The maintenance of a system of higher education characterized by a diverse set of quality programs and centers of excellence is essential to the formation of an adequate supply of human capital in future generations. The demand for socialization in higher education is being voiced by a growing proportion of the American public. It is very easy enough to sound alarms and enumerate dangers, but how do we promote quality and diversity in higher education in an environment of resource constraints? First, we need to sharpen student incentive, perhaps by linking student financial aid to maintenance of high grade averages. Program quality might also be improved by taking seriously the complaints that our traditional notions of liberal education are not really relevant to present-day life. The first order of business is to resolve the question of equality of student access. The present patchwork assortment of federal student aid programs should be replaced by some more comprehensive financing scheme, one that will not sacrifice the requirements of any group to meet the needs of another.
(Author/MSE)

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The Just Community at What Price--The Role of Government in Financing Education

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U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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The subject at hand obviously is too sweeping to allow for more than a general treatment. I will exercise the license given me by our hosts to narrow the scope of my remarks to include only higher education and issues associated with access and quality. But doing so does not greatly enhance my confidence that I can treat the subject thoroughly. However, having committed myself to address that topic, I will proceed in the hope that you will not be victimized.

Let us turn, then, to the specific problems surrounding our desire to provide equity of access to higher education while still maintaining diversity and quality in our institutions and their programs, as well as maintaining our centers of excellence. The title of my assigned topic implies that society must pay a price to have a just community. I find myself at odds with that implication, for I believe that society will pay a higher price if a just community is not achieved. And indeed, a society that does not evaluate the cost of imbalance between the development of human capital for the good of society and the need for equity of opportunity will find itself shortchanged. It is self-defeating to argue that the contribution of higher education to a just community is going to be primarily, or exclusively, equity of access at the expense of diversity, quality and excellence. In the long run, without those attributes in its higher education system, no community can be just, either to the aspirations of its citizens or to the social principles they collectively embrace.

In my view, the maintenance of a system of higher education characterized by a diverse set of quality programs and centers of excellence is essential to the formation of an adequate supply of human capital in future generations. Over the past two weeks, five Americans have become Nobel laureates. To some, this is powerful testimony that America remains intellectually robust. To me,

it indicates only that our past educational achievements have been good. As a result of these awards, the probability is high that we will hear the argument that quality and excellence are not really at issue in American education--that the central issue is equity of access. Of course, we all know our new Nobel prize winners are the products of a different era in education. They were not nurtured simply in a few pyramids of excellence. The sweep of the Nobel prizes in one year is symbolic of a broad, long-standing American commitment to quality education.

Our Nobel laureates were winnowed out from a huge cadre of individuals coming up through successive levels of quality education. They have drawn heavily on the capabilities of this substantial intellectual community to facilitate the achievements upon which their singular reputations are built. The secret of American success, of American excellence if you will, is our unprecedented commitment to the formation of human capital--which in plain language means our willingness to invest time and money in education and training to make our children more able, more productive, and more likely to acquire their fair share of the American abundance. I am not just exercising a speechmaker's license to exaggerate, incidentally. If you wish to know more about the role of human capital in fostering American well being, I recommend that you read a recent paper, entitled "Human Capital and Economic Growth", written by Stephen Dresch for Senator Humphrey's Joint Economic Committee. Let me quote just one sentence from it to whet your appetite: ". . . except at the highest income levels, the only significant wealth transfer from parents to children has taken the form of parental investment in the human capital of the child . . ."

Our winning football teams depend heavily on athletes of such accomplishment that we call them superstars. But their teammates are only marginally less

accomplished. Inthe intensely competitive world of sports, putting together a winning team and developing superstars is a difficult, costly, long-range undertaking. Ultimately well paid, each player has had to pay a personal price for this success, almost from childhood. But so has society paid, by providing the basic quality programs that in time create the stars and the winning teams. The process starts in back yards and streets, moves to organized Little Leagues, and then is given lavish support in the high schools and colleges. The relative handful of football players who win professional contracts have developed their human capital in a system very heavily subsidized by society, and the public obviously feels that the resulting quality of performance is well worth the price. Building our nation's intellectual human capital is little different, in a strategic sense, from building capital for the sport of football. I expect that many legislators as well as football fans would vehemently reject that comparison, but I think it is sound nonetheless.

I believe that we are bound to fall short of our goal of a just community if our capacity to develop human capital through higher education is curtailed. Rich and poor alike in this country benefit today because of the formation of human capital that commenced with the buildup of our system of higher education following World War II. We have not achieved "the just community" yet, but we are a great deal closer to it than at any other time in our history, and closer than any other nation.

During the sixties, we rightly became concerned about balance in our drive toward a just society. Attention shifted gradually at first, then more rapidly, from the need to form human capital to the need to redress social injustice. For a decade now, we have been earnestly engaged in putting to an end the injustices that befall an individual who happens to be poor or born into poverty, or happens to be a minority, or who is left undereducated. We have a guilty conscience

about such misfortunes, and with good reason we chastise ourselves as a nation for not having made more progress in eliminating these forms of social injustice. We feel that in many ways we have failed in this struggle. And we are a nation that does not like failure. We seem to be doubling our resolve to have equity of access at any price. We seem determined to win that battle, even if it means that in the long run we lose the war. In a sense, our attitude about universal access is similar to the national attitude during the middle of the war in Viet Nam. The real issues of justice and equity faded from the public view. The only thing that was important was to win the war--no matter the price. Finally, we recognized that in order to have a just community with respect to foreign affairs, there would have to be balance in our attitudes and commitments.

It is time again to think carefully. Are the advocates of equity of access really certain that a just community for higher education can be achieved without an appropriate balance between access and quality? My own conviction is that a just community cannot be achieved without adequate human capital. And human capital is formed, intellectually at least, by virtue of the existence of a diversified set of quality programs and centers of excellence in higher education. That is the central point of what has become a lengthy introduction to my subject.

The question immediately before us is whether there is something about government financing of higher education that threatens the ability of our system of higher education to maintain the needed balance between opportunity for all and maximum opportunity for the most able. I believe that the pattern of government financing does indeed pose such a threat, and I have a few suggestions about ways of forestalling that threat. Let me preface the substance of my remarks with a few observations:

1. Our current governmental financing strategies imply that a just community is one in which everyone who desires to attend and can meet the minimum entrance requirements will have access to at least one of the nation's 10,000 and more institutions of postsecondary education.
2. Government financing patterns give little or no indication of concern for the need to preserve diversity and quality in higher education, either as an indispensable ingredient in the process by which human capital is formed or as an element characteristic of a just community.
3. Government may well be viewed as not financing higher education very much at all, but rather as financing access to higher education.
4. Government probably will not finance higher education very much until equity is achieved in financing access; therefore, we need a comprehensive solution to that problem.
5. Diversity, quality, and excellence will remain largely at the mercy of the educational marketplace unless government attitudes about financing higher education change.
6. Government financing patterns probably will not change for the better until there is widely visible evidence that improvements in efficiency, effectiveness, and relevance are being made in higher education programs; therefore, we need to find ways of accomplishing those changes without compromising quality and diversity.

Equity of access is easy enough to define. But I know of no adequate definition, succinct or otherwise, for <u>just community</u>. The term is defined variously in the minds of different beholders. So effectively, a just community is whatever society, in its wisdom and through its political process, says it is. And I believe that Congress and the state legislatures--bless their souls--do consciously seek to establish a just community modeled on the

prevailing public perception.

Well, what we have we modeled as a just community with respect to higher education? With few exceptions (and they are becoming fewer), existing federal and state legislation concentrates almost solely on removing financial barriers to access.

Let me diverge a moment to support that assertion with a few facts: If we exclude research and development grants and contracts, which go to a relatively few institutions and are really purchases of services rather than mechanisms for financing higher education, we find that more than 70 percent of federal support for postsecondary education is distributed through just eight programs. Only one, the institutional development program authorized by Title III, provides direct aid to strengthen programs. The other seven are student financial aid programs, and except for veteran's education benefits, the entitlement test is financial need--plus of course, the ability to meet the minimum requirements of the institution of choice.

Appropriations by states to institutions of higher education are no less aimed at student access than the federal studen-aid programs. The predominant consideration in state formulae is student enrollment. I can discern no trend in the patterns of either federal or state aid to students that would encourage or facilitate the recruitment of students of high ability, or the maintenance of programs that can accommodate such students. Centers of excellence share heavily in the benefits that derive from federal research and development contracts and grants. But in almost no other way does the government seek to subsidize the institutions that historically have provided this nation with its most able leadership and professional expertise.

Therefore, quality, diversity, and excellence are found in higher education in proportion as institutions can find a market for them. But federal student-aid programs are nearly always limited to an amount considerably less than prevailing tuition rates at centers of excellence--or at most private institutions, for that matter.

The more typical college or university that seeks to maintain quality and diversity in its programs and a meaningful selectivity in its entrance requirements finds that it must do so without the encouragement of government, and perhaps at the cost of reducing its share of government funds distributed as student aid.

Some improvement in this situation seems at hand, since the President has now signed the Education Amendments. The authorized increase in the maximum basic education opportunity grants to $1800 is of course an especially welcome development to private institutions. To some extent, at least, the higher BEOG awards will allow institutions to reduce their own commitment of resources to student aid, and improve program support. The so-called triggering provision holds out additional hope for quality. It stipulates that in fiscal 1978, after student-aid appropriations have reached a total of $2.8 billion, all additional student-aid appropriations will have to be matched, dollar for dollar, by aid to institutions. In principle, this is fine. But Senator Pell guesses that the triggering provision will result in a $2.8 billion ceiling for student aid rather than creating a threshold for increased institutional aid. And, of course, it remains to be seen to what extent the Congress will actually fund the new aid provisions in the Education Amendments.

These recent steps forward in Congress show that the concern which institutions have felt for some time about the need to maintain standards in higher education is gaining in credibility. We may expect that continued institutional efforts to communicate the true extent and urgency of the need for such support will have further dividends. But as of now, institutions are still in a marketplace mode of operation. And they are likely to find little solace in the marketplace--private institutions can testify to that.

Government constraints on the institutions largely prevent them from tapping the market. If they accept any federal funds, they must implement at institutional expense a series of socially mandated programs addressing a variety of equity considerations, most of which correlate highly with the lack of ability to succeed in college. In public institutions, the states for the most part establish or limit tuition level, making it difficult if not impossible for institutions to increase revenues from that source. Government provides only a little over 50 percent of the revenue going to higher education. But the constraints imposed through social legislation, and the fact that most other institutional revenues are dedicated to research and the maintenance of designated services, leave institutions with little or no fiscal flexibility when they consider how to preserve and foster quality and diversity.

And so I maintain that government financing and constraints are implementing the notion that the responsibility of a just community toward postsecondary education is essentially limited to the provision of financial equity of access. In one sense, then, government does not finance <u>higher education</u> much at all, but rather finances <u>access</u> to higher education. If this sounds like a distinction without a difference, a moment's reflection will show that both conceptually and practically, financing a program in mathematics is quite different from financing a student's pursuit of a B.A. in mathematics. Providing a student with funds to pursue a degree in mathematics is a hollow gesture if no such program exists. And, obviously enough, programs cannot be brought into existence without financing. For some reason, however, this plain logic is contradicted in the prevailing patterns of government financing.

With your indulgence, I will contrive an analogy to illuminate my point. Suppose that instead of building and maintaining a system of free highways, the government decided to make them all toll roads and to subsidize access for individuals on the basis of financial need. Suppose further that in order to

achieve the advantages of a self-regulating free market, the government sold the existing highway system to private entrepreneurs and vowed that any new roads would have to be built by private risk capital. Then, finding that the average driver travels 10,000 highway miles a year at a cost of 12 cents per mile, the government would conclude that full access to highways could be obtained for $1200 a year. It would then make grants in aid of up to 50 per cent of that amount to all who could show financial need.

If the nation happened to survive the first six months of infernal confusion that such a scheme surely would generate, what would we then find? First, the large investments of private capital would have been made in the highways most heavily traveled and cheapest to maintain. That's the American formula for business success--high volume and low unit cost. Next, lightly traveled highways with high ratios of maintenance cost to revenue would either not have been bought from the government at all, or would have been bought at a nominal price, given a high toll rate, and allowed to deteriorate. Across the nation, toll rates would be found to discriminate against those needing access to lightly traveled roads. The rural poor would find themselves more isolated than ever before. Living in a mountainous area or in one of our large, thinly-populated western states would be prohibitively expensive for nearly all of us.

In short, diversity would slowly disappear from the highway marketplace. Driving conditions on the busy expressways and interstate highways would slowly worsen, as the entrepreneurs strove for maximum increases in traffic volume with minimum investment in new highway capacity.

Well, you say, my hypothetical case is an incredible compound of hyperbole and fantasy. The government wouldn't dare do such a thing. And you're right.

In fact, the government has done just the reverse, using route control, fare regulation, and various direct subsidies to the companies to keep that sort of thing from happening in the commercial airline industry. Surely the government would not simply finance access to highways, airlines, railroads or the postal service. But that is what government is doing in higher education.

We need look no further than our television screens to see what the principle of low unit cost can do to quality and diversity. The advertiser pays the network in direct proportion to the size of the audience attracted by a particular program. The cost of producing a program being inelastic, the businesslike approach is to produce the most popular program possible, so as to raise its price. The result is truly a cultural and intellectual wasteland, in which the commercial networks surrender to the lowest common denominator of taste in the interest of high profits.

When, like advertising dollars, student-aid patterns and constraints make no concession to the needs of institutions wishing to maintain quality and diversity, such programs are conceptually deficient. When the pattern of aid increases the incentive for low-income, minority, and handicapped persons to go to college, and for the financially strapped institutions to take them in, a laudable social goal may be attained at a self-defeating cost. It is unjust, unnecessary, socially costly, and morally intolerable that low-income, minority, and handicapped groups contain a high percentage of people who either do not or cannot succeed in college. But it is nonetheless true that as the percentage of such persons enrolled in an institution increases, one or more of the following consequences is almost certain:

1. If program standards are not changed, the rate of failures and dropouts will rise. In failing students, institutions lose revenue. The effort to protect program quality is thus defeated.

2. Because society generally assumes that the student who is allowed to enter should be allowed to succeed, a high failure rate among students is seen as the fault of the institution. So the institution that maintains its program standards in the face of lower average ability will not only lose students, but wind up condemned in the public mind.
3. If programs are altered to accommodate the new, lower average ability of students, there will be a loss of program value to the more capable students. Program quality may be reduced easily, and to an extent invisibly, by grade inflation, which tends to undermine the incentive of the capable student.
4. If the institution determines to get low-ability students to achieve a specified level of academic performance, it will expend a disproportionate amount of time and resources doing so. It is also expensive to develop programs aimed at different levels of student ability.

Institutions that are centers of excellence are less susceptible to the erosion of quality in the prevailing financial climate, because overall demand remains high from all income levels. But some of these schools believe that demand from middle-income levels is beginning to fall. In the more typical institutions, reduced incentive for middle-income level students to attend college is more definitely evident. Generally in higher education, concern for the preservation of quality and diversity is rising toward alarm.

Those in the world external to higher education whose commitment is almost totally to socialization through universal access are prone to argue that the institutions have confused traditional cultural and racial biases with quality. Others insist that the problem is not financing, but rather that higher education does not use its resources efficiently or productively--that needed quality could be maintained if resources weren't wasted.

You have heard this argument many times: Faculty do too many things besides teach, and teach too many things unrelated to the publicly recognized basic purposes of higher education; higher education programs have failed to adjust to the needs of our time; many students are encouraged to attend college who should not be there; many students do not seriously pursue their education, but institutions are unwilling to fail them.

There is a measure of truth in all these criticisms. I believe the critics will try to maintain current financing patterns, on the assumption that when institutions are hard pressed enough, they will respond more energetically to the demands for socialization, efficiency, and productivity. My own conviction is that if higher education continues to reduce its standards in the name of accommodating the aspirations of the less able students, the reaction of the more able students will change from disillusionment to contempt.

Meanwhile, the low-ability student will be acquiring something less than a higher education. So both his intellectual and social aspirations will be frustrated. When the student only seems to be of low ability because of poor preparation, and the institution fails to awaken and develop his inherent capacity for superior achievement and leadership, even the doctrinaire proponent of socialization must be dismayed. The status value of a debased college degree is bound to decline along with the decline in educational achievement that the degree represents.

Those who would increase productivity by increasing faculty teaching loads, by making programs and courses more oriented to job preparation, and by excluding the student with low ability or low incentive, make two mistakes. First, they suppose that increasing productivity is merely a matter of reducing unit cost in higher education, just as it is in an automobile assembly plant. But the true measure of productivity is the ratio between the value of resources expended and the value of what is received.

Faculty who teach so much that they have no time to think, programs designed simply to teach people how to make a living, and student bodies recruited primarily for their ability to tolerate such an atmosphere are not the components for an institution of higher education. The second misapprehension is to suppose that we can turn the clock back to a more elitist time by excluding the student who is ill-prepared or weakly motivated, or both. The demand for socialization in higher education is being voiced by a growing proportion of the American public. In 1960, 15 percent of the babies born in America came from minority groups. By 1972, the proportion had risen to 20 percent. Projections of available data indicate that by 1985, 30 percent of all American births will be in minority families. There is no politically viable way for higher education to turn its back to nearly one-third of the population.

It is easy enough to sound alarms and enumerate dangers, but how do we promote quality and diversity in higher education in an environment of resource constraints. What are our low-cost options? First, I suggest that since program quality is ultimately inseparable from the quality of student performance, we need to sharpen student incentive. Perhaps a feasible way can be found to encourage high academic performance through a financial-aid bonus. For example, an 80 percent grant might become 100 percent for the student who maintains a B average. When the college course grade, like the high school diploma, has more immediate value to the student, it should be easier for the faculty to hold the line on grading standards. And greater student effort should increase the value of education to the individual, so both productivity and quality might be improved.

Program quality might also be improved by taking seriously the complaints that our traditional notions of liberal education, which after all have their roots in the medieval trivium and quadrivium and still cater to the tastes of the essentially academic mind, are not really relevant to present day life. I myself fail to see how the student wishing to be a computer scientist benefits

from having to take a smattering of sociology, a little French grammar, a course or two in history, and in introduction to literature--all taught by career academics who have themselves been trained to think of their subject as a professional discipline. Would not interdisciplinary courses on such topics as crime, government, finance, energy policies and possibilities, and the performing arts from an audience point of view conduce more to the production of what the world today regards as a well-read and well-informed citizen? Obviously, this would not work unless we educate and reeducate our faculties appropriately to such teaching requirements. But the plain fact is that a substantial proportion of mentally able students in higher education today regard a considerable part of the course work required of them as irrelevant to their interests and their aims, and retain little if anything of their exposure to it. They are not being liberally educated.

The need is inherent in a free society for an educational system that will enable all competent individuals, not merely the most gifted, to make the most of themselves and their talents in positions of social responsibility and leadership. And we are irreversibly committed to this. Thus I believe that the first order of business is to find a way to resolve the question of equity of student access. The present patchwork assortment of federal student aid programs should be replaced by some more comprehensive financing scheme, one that will not sacrifice the requirements of any group in order to meet the needs of another.

Four years ago, I suggested that we examine the feasibility of a front-end social security plan. In 1973, Allen Carter outlined such a plan in more detail. The basic concept is this: The government would provide a deposit for every high school graduate, a sum equal to 80 percent of the cost of access to a quality, in-state, public four-year college for a given period--two years, perhaps, or even four years. At current costs, that would amount to $2000 per year.

Eligibility for this aid would depend upon completion of high school. That would provide stronger motivation to complete high school as well as some flexibility in the high schools to increase standards.

Eligibility for a certain number of years of access to an institution of higher education would begin with completion of high school and extend through adult working life. If not used for educational purposes, the funds would remain on deposit until age 65, at which time they would be collectible as a one-time retirement benefit or could be used to increase retirement payments.

The cost of such a program would be supported by a progressive addition to the social security tax. Thus those whose subsequent income was high would eventually pay many times the initial cost of the educational deposit, and those with low income would pay much less. Ultimately, all would benefit to some reasonable degree, whether or not they used the money to go to college.

The incentives created by such a scheme are for the most part positive. Its cost has not been established, but the provision that beneficiaries would support the plan according to their earning levels makes it just and equitable.

When equity of access has been achieved to the satisfaction of all involved parties, including the institutions, the question of program quality and diversity can be addressed on its own merits, in an unclouded atmosphere. I have already mentioned incentive bonuses and program changes as possible ways to promote quality. There has been very little study of diversity in higher education. We don't know how much is needed to maintain quality and we don't know how to achieve it while minimizing costly duplication. My own guess is that program diversity will be relatively more expensive than the other elements supporting quality. It will take money, pure and simple--money available to be spent at the institution's discretion for the sole purpose of enriching its programs.

To this end, I suggest that government programs of student aid should carry with them supplementary grants to the institution of the student's choice. This is not a new idea. I would earmark this money, however. It would not be available to meet general-fund obligations, but instead would have to be used in furtherance of some specified plan for upgrading programs or to launch new ones. Major research-oriented universities have learned that heavy dependence on federal research and development grants and contracts can misshape the institution, make it into something approaching a federal R&D facility. But if every student receiving government aid brought to his institution of choice a supplemental grant to be dedicated solely to improving the institution's academic offerings, society would be putting a premium on quality and diversity that those virtues richly deserve. A community, a society, a nation that is willing to settle for less does not deserve to call itself just.